

---

# Are you ready for the upcoming margin rules?

ISDA Amend webcast  
August 11th 2016

## Speakers

- Katherine Tew Darras, General Counsel, ISDA
  - Douglas J. Donahue, Partner, Mayer Brown LLP
  - Samantha Riley, Assistant General Counsel, ISDA
  - Darren Thomas, Managing Director, IHS Markit
-

---

## Agenda

- Margin Regulations for Uncleared Derivatives
  - > Self-Disclosure Letter
  - > Variation Margin
- ISDA Resolution Stay Jurisdictional Modular Protocol (ISDA JMP)
- Q&A

# Margin Regulations for Uncleared Derivatives

---

## Margin Regulations for Uncleared Derivatives

- Margin regulations for uncleared derivatives have been adopted in the United States, Canada and Japan. The general market compliance date for the variation margin (“VM”) requirements of such regulations is March 1, 2017. The initial margin (“IM”) requirements of the margin regulations for uncleared derivatives will phase-in over time.
- The adoption of European and Swiss margin regulations for uncleared derivatives have been delayed, but are currently expected to have a similar compliance date.
- Compliance with the relevant margin regulations will, in many cases, require parties to update their existing ISDA collateral documentation or put in place new ISDA collateral documentation.
- ISDA is also developing industry tools for market participants to use when updating their documentation in response to the margin regulations for uncleared derivatives. These tools will be available on ISDA Amend.

---

## Putting in Place Margin Regulation Compliant Documentation

In order for a party to determine what needs to be done to become margin regulation compliant with a particular counterparty from a documentation perspective, it must undertake the following two-step process:

- **Step 1:** Identify and classify each counterparty to determine if and when the relevant margin regulations will be applicable to the trading relationship between the parties.

ISDA Tool Available: ISDA Regulatory Margin Self-Disclosure Letter (“SDL”)

- **Step 2:** Based on such identification/classification, devise a plan to put in place appropriate margin regulation compliant documentation.

ISDA Tool Available: ISDA 2016 Variation Margin Protocol (“VM Protocol”)

---

# Margin Regulations for Uncleared Derivatives: Self-Disclosure Letter

---

## Regulatory Margin Self-Disclosure Letter

- ISDA published the SDL on June 30, 2016. The ISDA Amend build is ongoing.
- In almost all cases, market participants will need to know certain information about their counterparties to determine if, and when, their trading relationship will become subject to regulatory margin requirements for uncleared swaps. The SDL will allow market participants to disclose the following information to each other:
  - > General Biographical Information (e.g., entity identifier).
  - > Entity status under applicable margin regulations (e.g., “financial end-user,” “NFC+,” etc.) and whether an exemption is available.
  - > Cross-border status under the applicable margin regulations (e.g., “U.S. person,” “third-country entity,” etc.).
  - > Whether relevant notional thresholds are crossed in a particular year for purposes of determining phase-ins. This is an annual requirement.
  - > Threshold tracking will need to be done on a group/affiliated basis due to aggregation requirements. Meaning firms will need to provide information about their group structure (e.g., by providing their ultimate parent’s entity identifier).

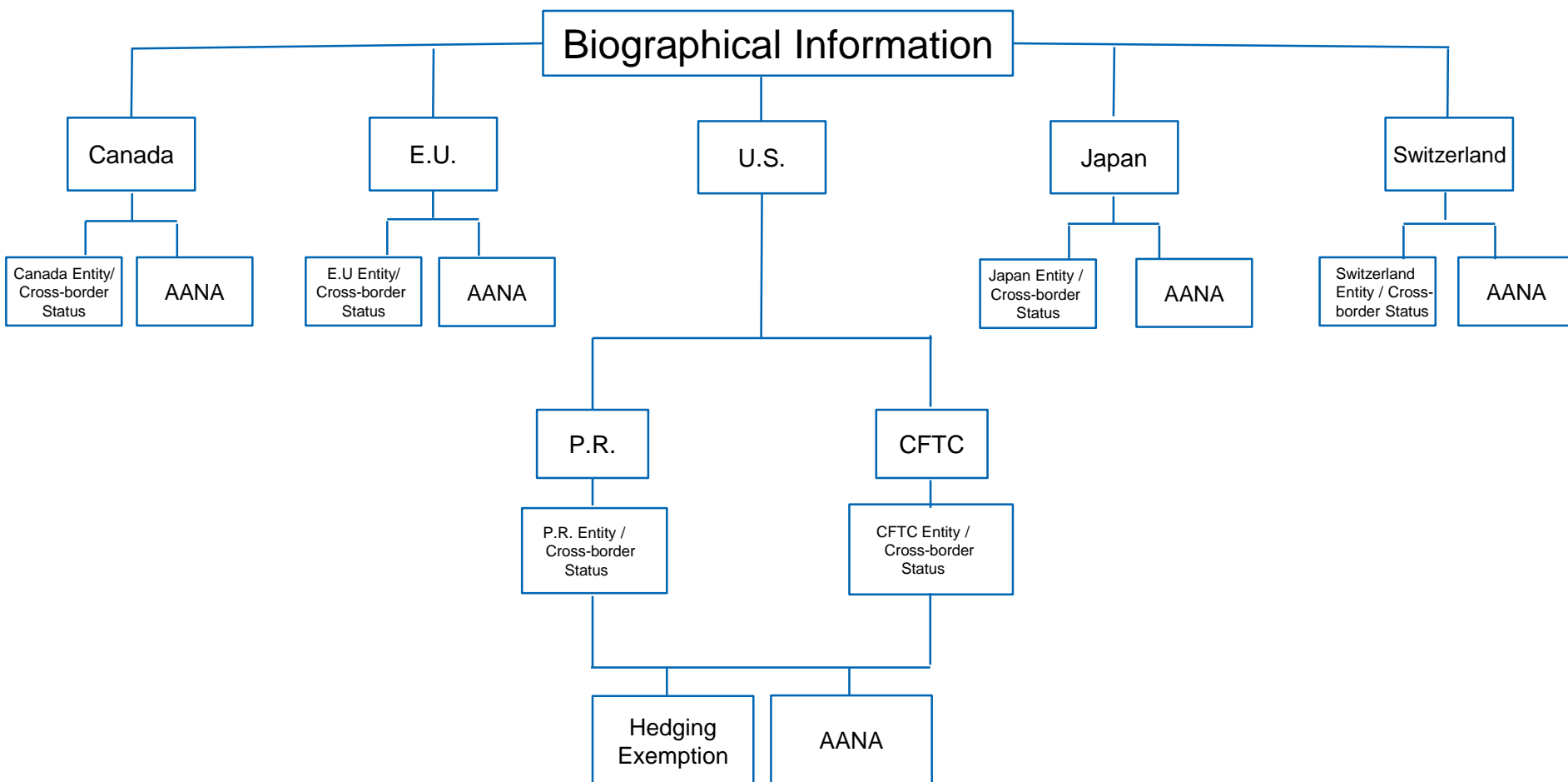


---

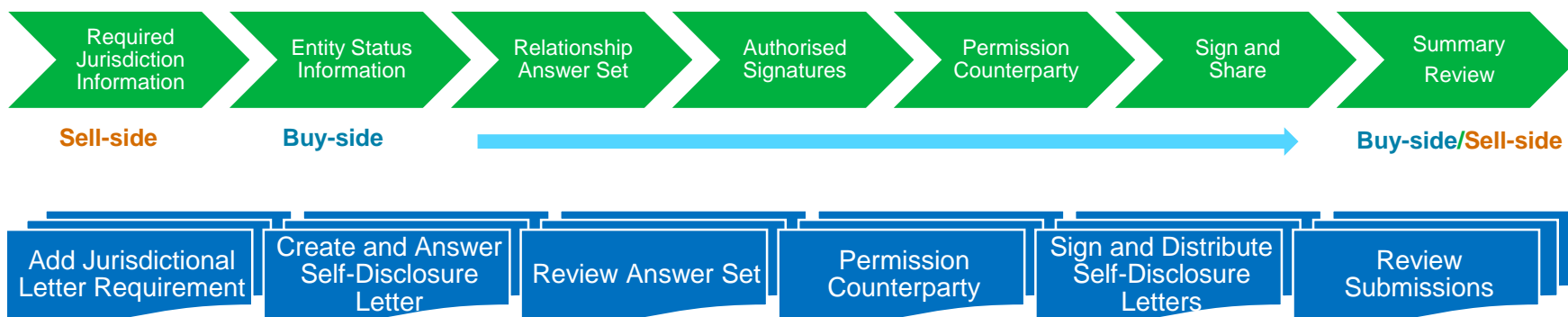
## Regulatory Margin Self-Disclosure Letter

- The SDL has been designed to include embedded logic to allow market participants to answer the fewest number of questions but still provide counterparties with the information necessary to determine if, and when, their trading relationship will become subject to regulatory margin requirements for uncleared swaps.
- The SDL is being structured in a modular fashion, so that market participants can choose only to complete those "modules" that they are required/willing to complete.
- On ISDA Amend, swap dealers will have the opportunity to advise their counterparties which of the modules they will need to receive in order to make the necessary regulatory determinations.
- ISDA Amend will assist market participants with the exchange of a large amount of data.

## Regulatory Margin Self-Disclosure Letter



# Self-Disclosure Letter (SDL) Process Flow



## Jurisdictions Required

ISDA 2.0 REQUESTED JURISDICTION

US EU Switzerland Canada Japan

Relationship: PR, Swap, CFIC, AANA

General Reg Info: 250 Entities / 7 Matches

Entity Name	Entity Type	Entity Status	Entity Address	Entity Contact	Entity Email	Entity Phone	Entity Fax	Entity Website	Entity Other
ABC Company	Global Bank 1	Bridge Bank 1							
ABC Company	Global Bank 2	Bridge Bank 2							
ABC Company	Global Bank 3	Bridge Bank 3							
ABC Company	Global Bank 4	Bridge Bank 4							
ABC Company	Global Bank 5	Bridge Bank 5							
ABC Company	Global Bank 6	Bridge Bank 6							
ABC Company	Global Bank 7	Bridge Bank 7							
ABC Company	Global Bank 8	Bridge Bank 8							
ABC Company	Global Bank 9	Bridge Bank 9							

## Self-Disclosure Letter (SDL) Dashboard

ISDA 2.0 SELF-DISCLOSURE LETTER (SDL) DASHBOARD

REQUESTED JURISDICTION: US EU Switzerland Canada Japan

Relationship: PR, Swap, CFIC, AANA

General Reg Info: 250 Entities / 7 Matches

Authorized Signatory: 5 Relationships for Reshare

Entity Screener: 250 Entities / 7 Matches

Entity Name	Entity Type	Entity Status	Entity Address	Entity Contact	Entity Email	Entity Phone	Entity Fax	Entity Website	Entity Other
ABC Company	Global Bank 1	Bridge Bank 1							
ABC Company	Global Bank 2	Bridge Bank 2							
ABC Company	Global Bank 3	Bridge Bank 3							
ABC Company	Global Bank 4	Bridge Bank 4							
ABC Company	Global Bank 5	Bridge Bank 5							
ABC Company	Global Bank 6	Bridge Bank 6							
ABC Company	Global Bank 7	Bridge Bank 7							
ABC Company	Global Bank 8	Bridge Bank 8							
ABC Company	Global Bank 9	Bridge Bank 9							

## Add Signatory & Share

The following SDL modules will be shared for those selected relationships where they are complete.

If you do not wish to share any of these modules, then please uncheck its checkbox.

Entity	Module	Status
EU	AANA	Not Complete
US	PR	Complete
US	Swap	Complete
US	AANA	Complete

If any relationship does not have 1 or more Signatories attached to it, then no Modules will NOT be shared with the counterparty.

If any relationship-level answers taken from a questionnaire for a relationship conflict with other answers for SDL Modules then these relationship-level answers will NOT be shared.

The information provided in this Letter is, to the best of Principal's knowledge and belief, accurate as of the date of completion of this Regulatory Margin Self-Disclosure Letter. As to information other than answers provided in Sections Canada AANA Threshold Estimate, EU AANA Threshold Estimate, Japan AANA Threshold Estimate, Switzerland FMIA AANA Threshold Estimate and US AANA Threshold Estimate, Principal agrees to promptly provide updates if any such information changes in any material respect.

Cancel Share

## Jurisdictions Required: Sell-side defines required data by sell-side entity

ISDA 2.0 Counterparty Manager

### REQUESTED JURISDICTION

US EU Switzerland Canada Japan

PR  
Swap  
CFTC  
AANA  
General Reg Info

Requested  
Received

113 Relationships Responded  
154 Relationships Not Responded

SDL Producer SDL Receiver Jurisdictions Required Entity Screener

Clear Filters

MY TRUE LEGAL NAME CPTY INSTITUTION NAME CPTY TRUE LEGAL NAME SDL MODULES STATUS LAST UPDATED

All All All All All MM/DD/YYYY

250 Entities / 7 Matches

Requested by Counterparty Received

Export Results Actions

My True Legal Name	Cpty Institution Name	Cpty True Legal Name	Canada OSFI Entity	AANA	EU Entity	AANA	Japan Entity	AANA	Switzerland FMIA Entity	AANA	CFTC	PR	United States Swap	AANA	Last Updated	Select All
Bridge Bank 1	Buyside 1	Fund A	Requested	Received	Received										21-Jun-2015	<input type="checkbox"/>
Bridge Bank 1	Buyside 1	Fund B		Requested				Received							21-Jun-2015	<input type="checkbox"/>
Bridge Bank 1	Buyside 1	Fund C		Requested											21-Jun-2015	<input checked="" type="checkbox"/>
Bridge Bank 1	Buyside 1	Fund D	Received	Requested									Received		21-Jun-2015	<input type="checkbox"/>
Bridge Bank 1	Buyside 2	Fund 1		Requested	Received		Requested	Received			Requested				21-Jun-2015	<input type="checkbox"/>
Bridge Bank 1	Buyside 2	Fund 2		Requested	Received		Received								21-Jun-2015	<input type="checkbox"/>
Bridge Bank 2	Buyside 3	Fund 3		Requested				Requested							21-Jun-2015	<input type="checkbox"/>
Bridge Bank 2	Buyside 4	Fund 4		Requested	Received		Requested	Received			Requested				21-Jun-2015	<input type="checkbox"/>
Bridge Bank 2	Buyside 5	Fund 5		Requested											21-Jun-2015	<input type="checkbox"/>
Bridge Bank 2	Buyside 6	Fund 6		Requested											21-Jun-2015	<input type="checkbox"/>

1. Dashboard on Jurisdictional requirements (Dealers)
2. Custom filter by jurisdiction
3. Data information display

## Entity Specific Data: General regulatory information

1

ENTITY SCREENER [Edit Entity Details](#)

SSgA Luxembourg Company

MEI **DC6T453109** LEI **DF0023F5626GH25N760** Client Identifier **GTBTF**

[ISDA Amend](#)

2

[General Regulatory Info](#) US Canada EU Japan Switzerland 3 [Cancel](#) [Save](#)

**Registered Address** [Clear All Answers](#)

Address	
Second Address	
City / Town	
State / Region	
Post Code / ZIP	
Country	Select

Please provide the following details if submitting Self - Disclosure Letter Details for 1 or more jurisdictions

**Multibranch Entity Information** [Clear All Answers](#)

Is the principal a multibranch entity Yes

**Contact Information**

Name	
Email	
Phone	

1. General entity information
2. Entity status details
3. 5 available jurisdictions

## Add Questionnaire: Create a questionnaire for each relationship, one or many

markit

Welcome, Irina slobodinsky | Support

ISDA 2.0 Training Counterparty Manager Transaction Cost Analysis Vote Counterparty Manager

Navigation Link Pending

### 1 Add Questionnaire

Questionnaire Reference Name \*

Jurisdiction \* United States 2

LIST OF QUESTIONS  
Please select one choice per question  
Expand All

– A - CFTC

Question	Response	History
A.1 CFTC Cross-Border Status - US Branches ⓘ	<input type="radio"/> No US Branch Transactions <input type="radio"/> Some or All US Branch Transactions Clear Selection	History
A.2 CFTC Cross-Border Status - US Guarantees ⓘ	<input type="radio"/> No CFTC US Guarantees <input type="radio"/> CFTC US Guarantees Clear Selection	History

– B - Prudential Regulators

Question	Response	History
B.1 PR Cross-Border Status - US Branches ⓘ	<input type="radio"/> No PR US Branch Transactions <input type="radio"/> Some or All PR US Branch Transaction Clear Selection	History
B.2 PR Cross-Border Status - US Guarantees ⓘ	<input type="radio"/> No PR US Guarantees <input type="radio"/> PR US Guarantees Clear Selection	History

– C - SWAP Hedging Exemption

Question	Response	History
C.1 SWAP Hedging Exemption Elections ⓘ	<input type="radio"/> All Transactions <input type="radio"/> Not All Transactions Clear Selection	History

Complete Save as Draft

3

1. Add multiple questionnaires
2. Select jurisdiction
3. Applicable relationship answer sets

# Questionnaire Library

markit

Welcome, Irina slobodinsky | Support

ISDA 2.0 Counterparty Manager

Navigation Link Pending

Add Questionnaire

Questionnaire Library

Clear filters [Settings] [Refresh]

QUESTIONNAIRE NAME: All JURISDICTION: All ASSOCIATED RELATIONSHIPS: All QUESTIONNAIRE STATUS: All LAST MODIFIED BY: All LAST MODIFIED ON: All

5 Questionnaires

Export Results [Settings] Actions

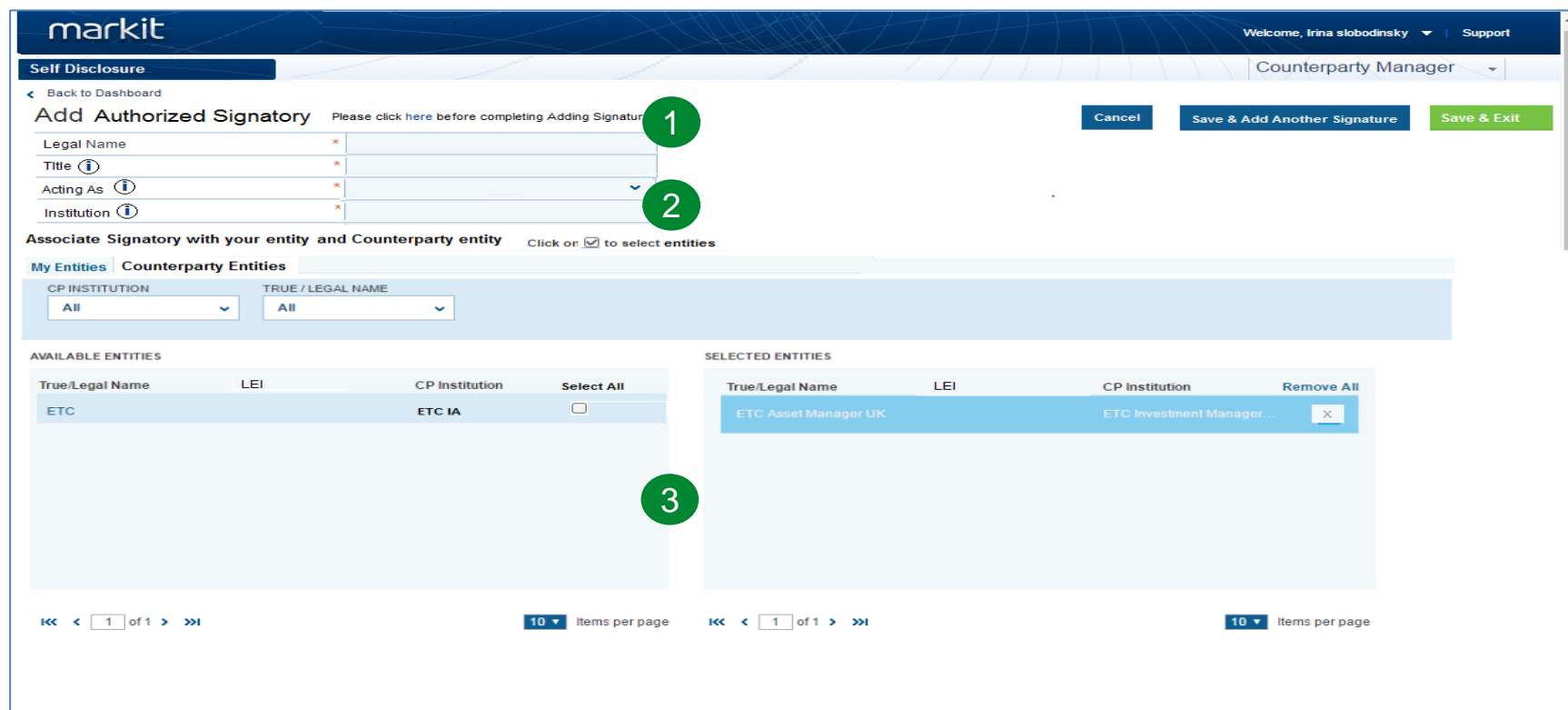
Questionnaire Name	Jurisdiction	Associated Relationships	Questionnaire Status	Last Modified By	Last Modified On	Select All
Questionnaire 1	United States		Draft	kerri.willey@markit.com	July-15-2016	[Icons]
Questionnaire 2	Japan	1	Completed	kerri.willey@markit.com	July-12-2016	[Icons]
Questionnaire 3	European Union	1	Completed	kerri.willey@markit.com	July 5-2016	[Icons]
Questionnaire 4	Japan	1	Completed	irina.slobodinsky@ddqse	July-12-2016	[Icons]
Questionnaire 5	United States	1	Completed	irina.slobodinsky@ddqse	July-12-2016	[Icons]

< 1 of 1

10 Items per page

1. Filter options
2. Manage questionnaire sets

# Authorized Signatory



markit

Welcome, Irina slobodinsky | Support

Counterparty Manager

Self Disclosure

Back to Dashboard

**Add Authorized Signatory** Please click [here](#) before completing Adding Signatory

Legal Name \*

Title \*

Acting As \*

Institution \*

Associate Signatory with your entity and Counterparty entity Click on ☒ to select entities

My Entities Counterparty Entities

CP INSTITUTION TRUE / LEGAL NAME

All All

AVAILABLE ENTITIES

True/Legal Name	LEI	CP Institution	Select All
ETC		ETC IA	<input type="checkbox"/>

SELECTED ENTITIES

True/Legal Name	LEI	CP Institution	Remove All
ETC Asset Manager UK		ETC Investment Manager...	X

10 Items per page 1 of 1

10 Items per page 1 of 1

1. Library of authorized signatures
2. Apply signatures to specific entities
3. Applicable entity selections for signature designation



# Assign Questionnaire to the Relationships, Sign and Share

ISDA 2.0

## Assign Questionnaire to the Relationship(s)

**JURISDICTION**  
Canada  
EU  
Japan  
**U.S.**

**QUESTIONNAIRE**  
US Questionnaire 1

**1**

**SELECTED QUESTIONNAIRE**

Jurisdiction	Questionnaire Name	Remove All
U.S.	US Questionnaire 1	X

**Selected Relationships**

My True Legal Name	Cpty Institution Name	Cpty True Legal
Aggressive Funds	Large Inst Bank	Bank Markets L
Aggressive Funds	Large Inst Bank	AB Capital LTI
Passive Funds	Securities Parent Inc	BB Securities plc

1-3 of 3 rows

The following SDL modules will be shared for those selected relationships where they are complete.

If you do not wish to share any of these module, then please uncheck its checkbox.

**2**

EU		U.S		
Entity	AANA	PR	Swap	AANA
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

If any relationship does not have 1 or more Signatories attached to it, then its Modules will NOT be shared with the counterparty.

If any relationship-level answers taken from a questionnaire for a relationship conflict with other answers for SDL Modules then these relationship-level answers will NOT be shared

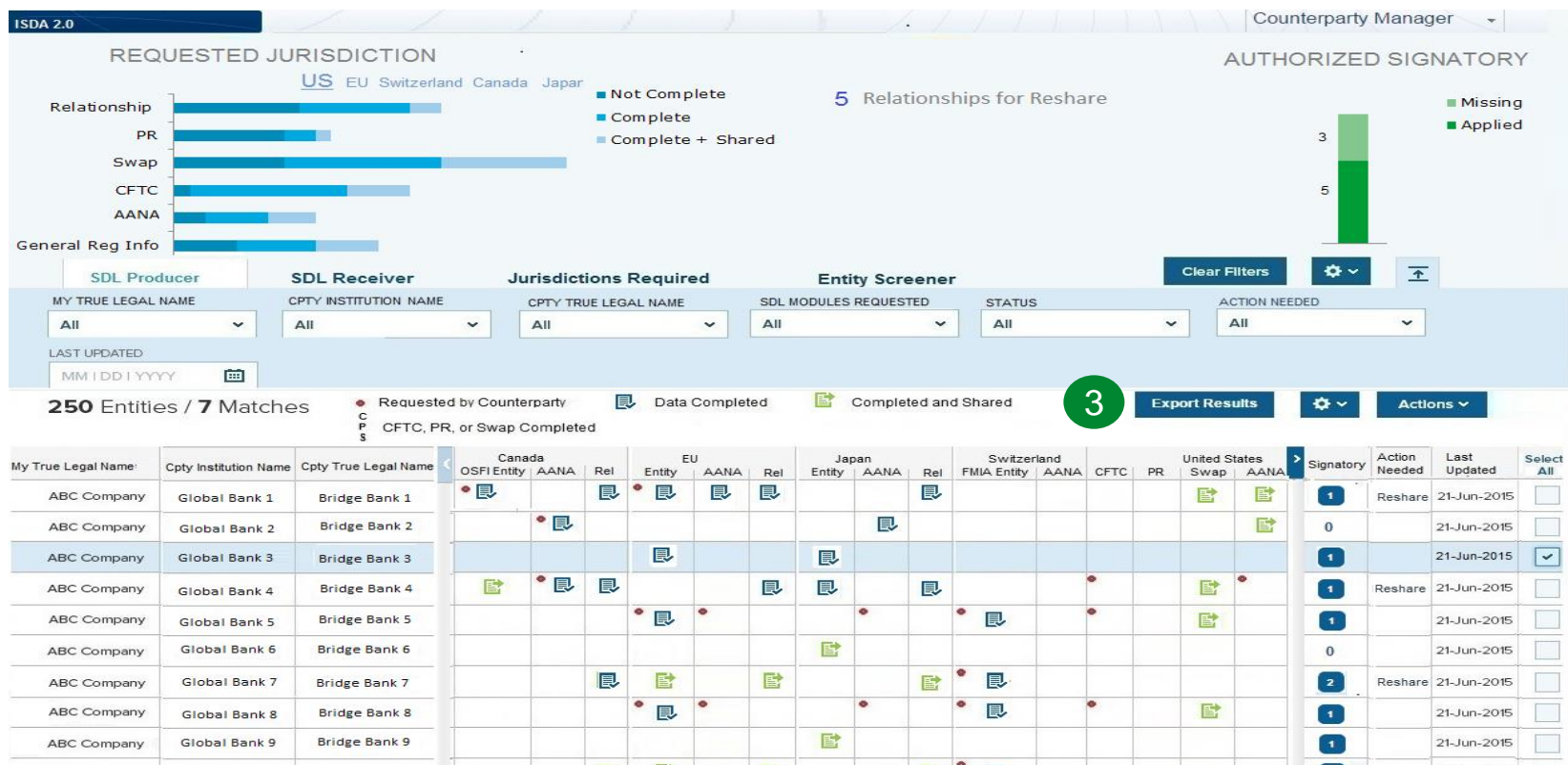
*The information provided in this Letter is, to the best of Principal's knowledge and belief accurate as of the date of completion of this Regulatory Margin Self-Disclosure Letter. As to information other than answers provided in Sections Canada AANA Threshold Estimate, EU AANA Threshold Estimate, Japan AANA Threshold Estimate, Switzerland FMLA AANA Threshold Estimate and US AANA Threshold Estimate, Principal agrees to promptly provide updates if any such information changes in any material respect.*

Cancel

Share

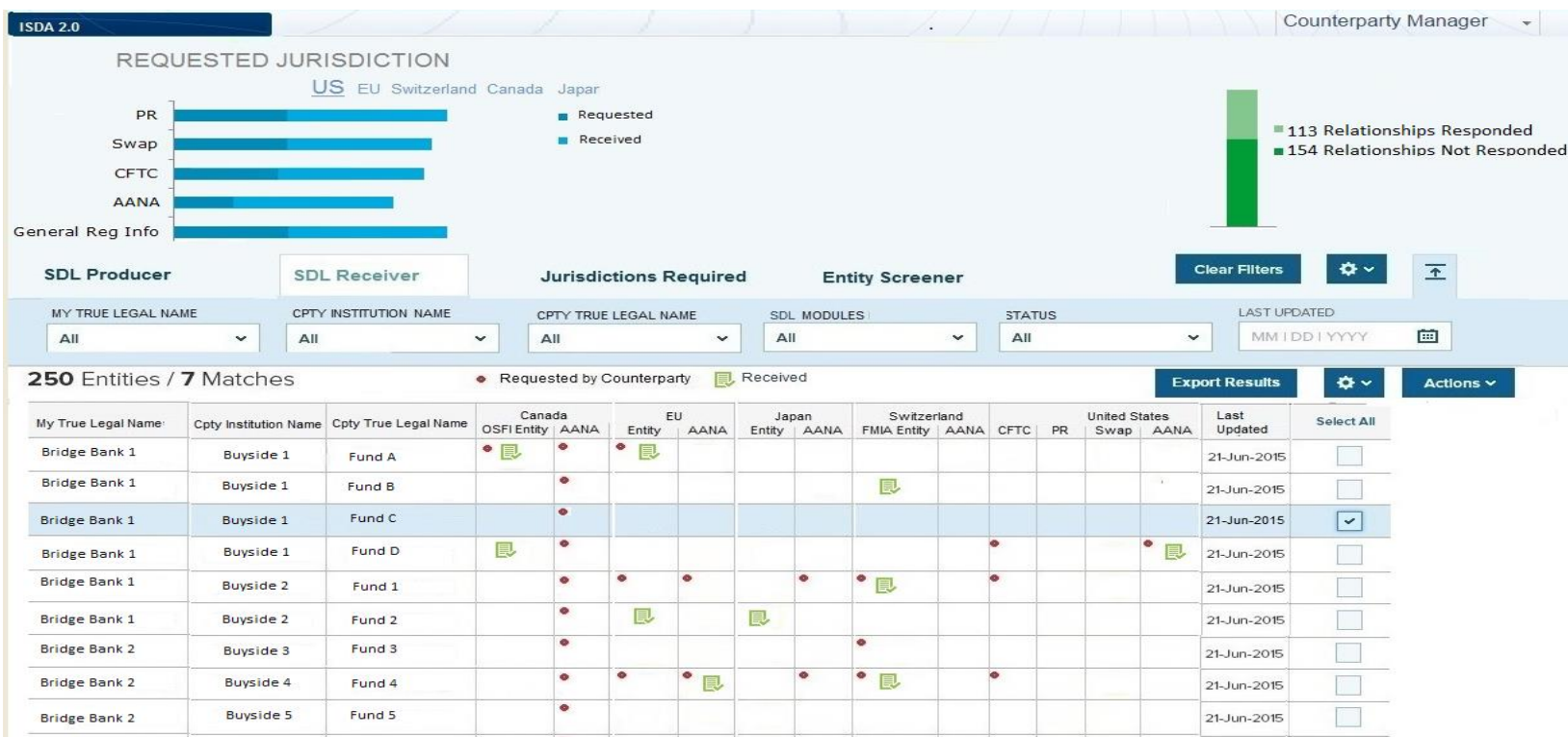
1. Select permissioned Dealers
2. Sign and share with selected relationships

## Dashboards: SDL Producer (Buy-side)



1. Dashboard (Producer view)
2. Custom filter on require jurisdiction
3. Data can be exported to Excel

## Dashboards: SDL Receiver (Sell-side)



1. Dashboard (Receiver view)
2. Custom filter on institution, jurisdiction and status
3. Data information display on:
  - Requested by Counterparties
  - Received

---

# Margin Regulations for Uncleared Derivatives: Variation Margin Protocol

---

## ISDA Variation Margin Protocol

- ISDA expects to publish the VM Protocol soon. The ISDA Amend build has begun.
- Market participants will have the ability to amend existing ISDA collateral documentation, enter into new ISDA collateral documentation or enter into a 2002 ISDA Master Agreement via the VM Protocol.
- The VM Protocol is designed to provide market participants with an efficient means of updating their collateral documentation to comply with the VM requirements of the margin regulations for uncleared derivatives in the United States, Canada and Japan.
- The VM Protocol has also been designed so that it may be supplemented to allow market participants to agree to further updates to their collateral documentation to comply with margin regulations for uncleared derivatives in Europe and Switzerland.
- The VM Protocol does not address IM requirements under the regulations.

---

## ISDA Variation Margin Protocol

- The VM Protocol is a Questionnaire style protocol.
- In order for any pair of market participants to update their documents using the VM Protocol, the following must occur:
  - > First, each market participant must have delivered an adherence letter to ISDA in the manner prescribed in the VM Protocol.
  - > Second, the pair must have exchanged Questionnaires in the manner prescribed in the VM Protocol AND have satisfied the relevant conditions precedent to effectiveness specified in the Protocol Agreement. One such condition precedent is that the pair of market participants must have agreed the “Method” by which they will upgrade their ISDA documentation in their Questionnaires.

---

## Questionnaire Matching

- Protocol Questionnaires contain elections that allow protocol participants to customize their agreements with other protocol participants with whom they exchange Questionnaires.
- Matching occurs through the exchange of Questionnaires.
- Questionnaire matching increases the functionality of an ISDA Protocol, but it also increases its complexity.
- The VM Protocol contains different types of matching elections, which produce different results.

---

## Questionnaire Matching

- Generally matching elections in the VM Protocol fall within one of the following three categories:
  - > “Condition Precedent Matching”
  - > “Additive Matching”
  - > “Matching with fallbacks”
- The VM Protocol is the first ISDA protocol with a Questionnaire that contains Condition Precedent and Additive Matching elections.
- If protocol participants fail to match on all required conditions precedent, either or both of such parties may amend and redeliver their Questionnaires until they match on all required conditions precedent.



## Examples of Questionnaire Matching

Election	Party A's Questionnaire	Party B's Questionnaire	Result
Method	Amend	Replicate and Amend	The VM Protocol will not be effective between the parties until they agree on a Method. [This is an example of Condition Precedent Matching.]
Covered Margin Regime	OSFI and PR	CFTC and Japan	OSFI, PR, CFTC and Japan [This is an example of Additive Matching.]
Product Set	Broad	Narrow	Narrow [This is an example of Matching with Fallbacks, Narrow is the fallback.]
Notification Time – New York Law CSAs	1pm Hong Kong Time	1pm New York Time	10:00am New York Time [This is an example of Matching with Fallbacks, 10:00am New York Time is the fallback.]

---

## ISDA Amend

- Protocol questionnaires may be, and are predominantly, exchanged via ISDA Amend. There are over 60,000 LEIs on ISDA Amend.
- The development of the ISDA Amend offering for the VM Protocol is expected to allow market participants to:
  - > Customize their Questionnaires on a counterparty by counterparty basis;
  - > Identify failures to match on Condition Precedent Matching elections;
  - > Download their matching election results; and
  - > Manage the inflow of information, including ongoing updates thereto.
- ISDA Amend is a powerful tool to assist market participants with the exchange and reconciliation of a massive amount of data.

# Variation Margin Protocol Process Flow



markit

Welcome, Vikrant Deepak Nishandar | Support

Self Disclosure Letter | **Variation Margin Protocol** | Training | Reports | Tools | Counterparty Manager

### Variation Margin Protocol

**MATCH STATUS**

3 No Match  
2 Match

**QUESTIONNAIRE STATUS**

Exchanged  
Received but not sent  
Sent but not received

**PENDING NEXT STEPS**

- 1 Apply Questionnaire
- 1 Apply Authorized Signatory
- 1 Send Questionnaire

**Quicklinks**

[Add Questionnaire](#)  
[Add Authorized Signatory](#)

Clear Filters

MY TRUE LEGAL NAME: All | CPTY INSTITUTION NAME: All | CPTY TRUE LEGAL NAME: All | MY LEI: All | CPTY LEI: All | MATCH STATUS: All

Questionnaire Status: All | Questionnaire Name: All | MY PREFERRED METHOD: All | CPTY PREFERRED METHOD: All | NEXT ACTION: All | LAST UPDATED: MM/DD/YYYY

A: Amend RA: Replicate and Amend N CSA: New CSA

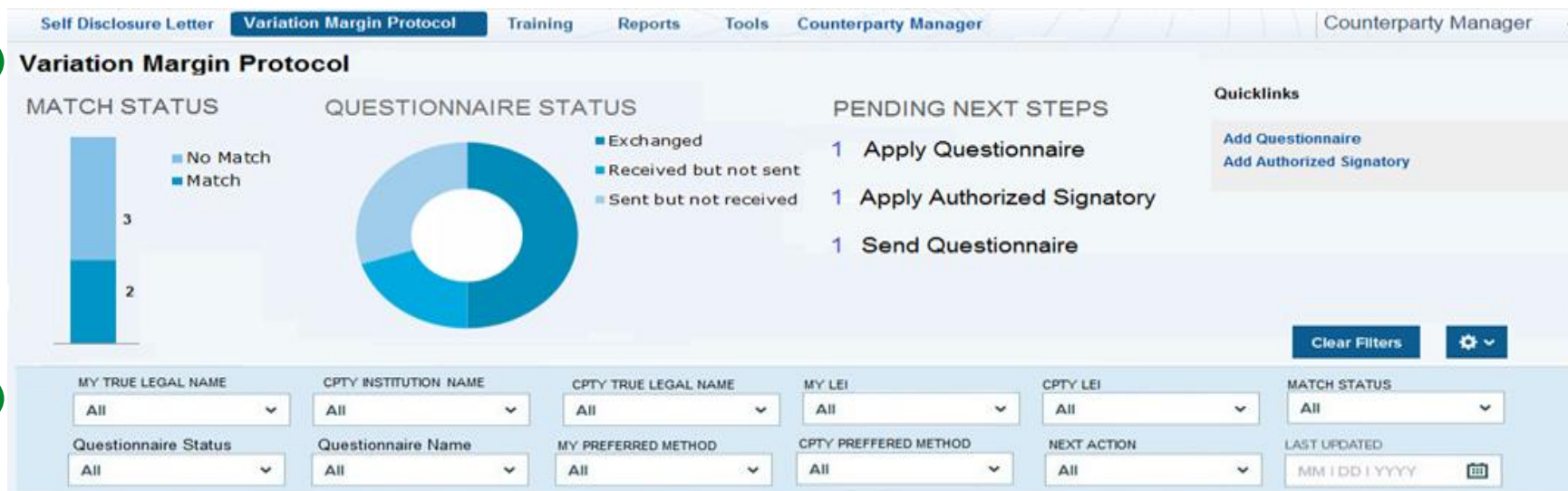
Export Results

My True Legal Name	Cpty True Legal Name	Cpty LEI	Questionnaire Linked		My Questionnaire Name	Match Status	Conflicting Elections	Default Elections	Next Step	Last Updated	Select All
			My	Cpty							
SSGA Fund 1	ABC Bank sub 1	1234VVVVVVVV	📄	📄	Amend Questionnaire 1	No Match	2	2	Resolve Conflicts	21-Jun -2016	<input type="checkbox"/>
SSGA Fund 2	ABC Bank sub 1	126 879VVVVVV	📄	📄	New CSA Questionnaire_ABC Bank	No Match	2	1	Add Authorized Signatory	21-Jun -2016	<input type="checkbox"/>
SSGA Fund 3	ABC Bank sub 1	125789NNNNNN	📄	📄	Amend Questionnaire 2	Match	0	3		21-Jun -2016	<input type="checkbox"/>
SSGA Fund 4	ABC Bank sub 1	1230967GGGG	📄	📄	Replicate and Amend Questionnaire A	Match	0	4		21-Jun -2016	<input type="checkbox"/>
SSGA Fund 5	ABC Bank sub 1	1234CVNNNNN	📄	📄	Amend Questionnaire 2				Send Questionnaire	21-Jun -2016	<input type="checkbox"/>
SSGD Fund 6	ABC Bank sub 2	1234VVVVVVV	📄	📄					Apply Questionnaire	7-Aug-2016	<input type="checkbox"/>

Copyright © 2015 Markit Group Limited. ALL DATA PROVIDED AS IS, WITH NO WARRANTIES. All rights reserved.  
Privacy and Cookie Policy | Terms of Use | Disclaimer | Contact us

markit

## Variation Margin Dashboard



### 1. Dashboard metrics

- Counterparty matches
- Questionnaire status
- Pending queue

### 2. Custom filter on matches

- Counterparty relationships
- CSA Methods
- Match status

## Variation Margin Dashboard: Monitoring Conflicting Elections

1

A: Amend RA: Replicate and Amend N CSA: New CSA [Export Results](#) [Settings](#) [Actions](#)

My True Legal Name	Cpty True Legal Name	Cpty LEI	Questionnaire Linked		My Questionnaire Name	Match Status	Conflicting Elections	Default Elections	Next Step	Last Updated	Select All
			My	Cpty							
SSGA Fund 1	ABC Bank sub 1	1234VVVVVVV			Amend Questionnaire 1	No Match	2	2	Resolve Conflicts	21-Jun -2016	<input type="checkbox"/>
SSGA Fund 2	ABC Bank sub 1	126 879VVVVV			New CSA Questionnaire_ABC Bank	No Match	2	1	Add Authorized Signatory	21-Jun -2016	<input type="checkbox"/>
SSGA Fund 3	ABC Bank sub 1	125789NNNNNN			Amend Questionnaire 2	Match	0	2		21-Jun -2016	<input type="checkbox"/>
SSGA Fund 4	ABC Bank sub 1	1230987GGGG			Replicate and Amend Questionnaire A	Match	0	1		21-Jun -2016	<input type="checkbox"/>
SSGA Fund 5	ABC Bank sub 1	1234CVBNNNN			Amend Questionnaire 2				Send Questionnaire	21-Jun -2016	<input type="checkbox"/>
SSGD Fund 6	ABC Bank sub 2	1234VVVVVVV							Apply Questionnaire	7-Aug-2016	<input type="checkbox"/>

2

	A	B	C	D	E	F
1	Question Reference	Question	My Answer	Cpty Answer	Required to Match	Yields Default if not matched
2	Part IV	Preferred Method	Amend	New CSA	Y	N/A
3	Part XI	Alternative Base Currency Election	USD Base Currency	EUR Base Currency	Y	N/A
4	Part XII	Make Paragraph 4(a) Inapplicable	Inapplicable	Applicable	Y	N/A
5	Part XIII	Apply Cash Transfer Addendum	Yes	No	Y	N/A
6	Part XI	Negative Interest Election	Negative Interest	No	N	Negative Interest
7	Part XI	Alternative MTA Election	50 MTA	100 MTA	N	50 MTA
8	Part XII	Consent to substitution Required	Yes	No	N	Yes
9						

1. Relationship matches overview
2. Match exception details can be extracted to Excel



---

# ISDA Resolution Stay Jurisdictional Modular Protocol (ISDA JMP)

## ISDA JMP – Background

- The Financial crisis of 2008
  - > Financial regulators and market participants to focus on new approaches to the failure of systemically important financial institutions (“SIFIs”)
  - > New “special resolution regimes” (“SRRs”) developed (e.g. BRRD)
  - > OTC swaps exercising close-out rights and cross-default rights
    - SRRs generally stay exercise of direct defaults and cross defaults in a resolution
    - Enforceability of such stays in foreign jurisdictions is not certain
- In 2013, the regulatory authorities from a number of FSB jurisdictions requested that ISDA revise standard ISDA Master Agreement documentation to eliminate close-out rights triggered by the resolution of a SIFI. ISDA developed the ISDA 2014 Resolution Stay Protocol – launched November 2014. In 2014, the regulatory authorities asked ISDA to expand the coverage to cover other major SFT agreements they considered to be most relevant at this stage – SFT Annex

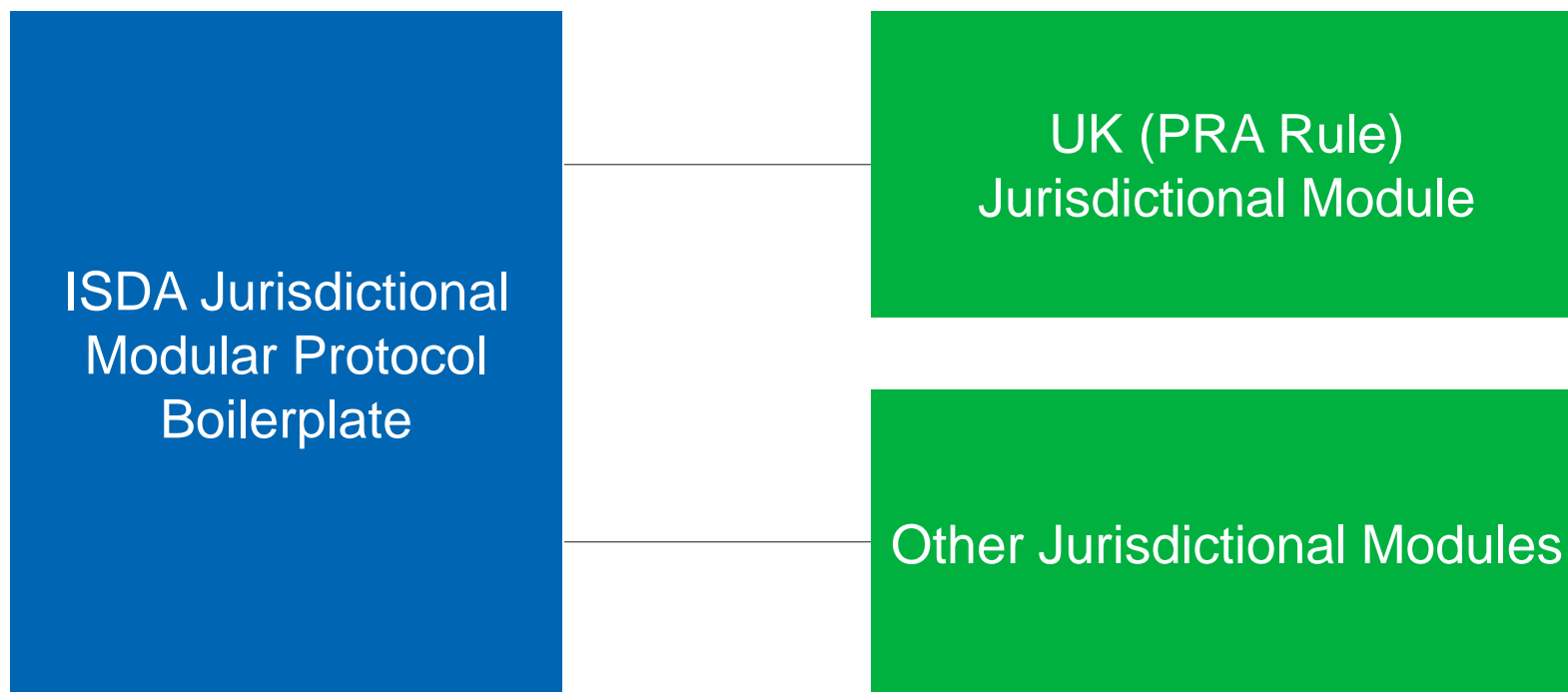
---

## ISDA JMP – Background

- New regulations are now being implemented which generally require institutions to obtain the consent of their counterparties to be subject to stays on or overrides of certain termination rights under home-country SRRs (Stay Regulations)
- ISDA developed the ISDA Jurisdictional Modular Protocol (ISDA JMP) to facilitate compliance with Stay Regulations in various jurisdictions under an umbrella structure
- ISDA JMP aims to comply with the express requirements of these Stay Regulations without “over complying” (other than in limited agreed circumstances)
- ISDA published the ISDA JMP on May 3, 2016



## ISDA JMP – Structure



Applicable to all Adhering Parties



Elected by Adhering Parties who choose to apply terms of such Jurisdictional Module

---

## ISDA JMP – Key Terms

- *Options for adherence may differ depending on Stay Regulations*
- An entity may adhere to a particular Jurisdictional Module as:
  - > A “Regulated Entity”;
  - > A “Module Adhering Party” or
  - > Both
- Regulated Entities are those parties that are required by Stay Regulation to obtain opt-ins from their counterparties
- Module Adhering Parties are those parties opting-in to the SRRs applicable to Regulated Entities
- A Regulated Entity Counterparty is a Regulated Entity that a Module Adhering Party chooses to amend its Covered Agreements with

---

## ISDA JMP – Module Adhering Party Elections

- Each Module Adhering Party can choose between three options for identifying the Regulated Entities that it will amend its contracts with (unless otherwise required by the relevant Stay Regulation). These options are:
  - > All present and future Regulated Entities; or
  - > All Regulated Entities that are members of a G-SIB and/or
  - > One or more specific Regulated Entities (i.e. dealer-by-dealer)
- Module Adhering Parties that choose to adhere to one or more specific Regulated Entities must notify such Regulated Entities in order for their adherence to be effective, either through:
  - > A bilateral notice or
  - > ISDA Amend

---

## ISDA JMP – Agency Adherence

- In its Adherence Letter for a Jurisdictional Module, a party can elect to adhere:
  - > As a principal;
  - > As an agent on behalf of all of the principals that it represents; or
  - > As an agent on behalf of some, but not all, of the principals that it represents
- If adhering on behalf of some, but not all, principals, an agent must provide its counterparties with a list of applicable principals either through:
  - > A bilateral notice or
  - > ISDA Amend

---

## ISDA JMP – ISDA Amend

- Allows Adhering Parties to the ISDA JMP to make entity-by-entity elections and exchange adherence information
- Extracts Adhering Party capacity (e.g. Regulated Entity or Module Adhering Party) and elections from ISDA JMP Adherence Letter
- Auto-matches Module Adhering Parties that choose to adhere to “All Regulated Entities” or “All G-SIBs”
- Facilitates Module Adhering Parties’ ability to select Regulated Entities on an entity-by-entity basis and send notices to such entities
- Facilitates exchange of relevant underlying fund information
- Allows for batch upload and download

---

## ISDA JMP – Jurisdictional Modules

- An Adhering Party may choose which Jurisdictional Modules to adhere to
- Status of modules:
  - > ISDA published the UK (PRA Rule) Jurisdictional Module on May 3, 2016
  - > ISDA published the German Jurisdictional Module on June 28, 2016
- Regulations and future modules

## Entity Screen: UK and German module process

The screenshot displays the IHS Markit Entity Screen for SSGP Investment Fund LTD. The top navigation bar includes the Markit logo, user information (Welcome, Susan Wu), and a Support link. The main header shows the entity name and a Counterparty Manager dropdown. Below this is a series of tabs: Basic Information, Ownership & Control Reporting, Regulatory Information, Jurisdictional Modules (highlighted with a green circle 1), Additional Information, and Address Information. The Jurisdictional Modules section contains a form for ISDA AMEND JURISDICTIONAL MODULES TO THE ISDA RESOLUTION STAY JURISDICTIONAL MODULAR PROTOCOL. It features two radio buttons for UK (PRA Rule) and German (selected with a green circle 2). Below the German selection, there is a field for the ISDA German Jurisdictional Module Adherence Letter ID, populated with PR\_2016\_01\_71631 (marked with a green circle 3). Instructions and a note about auto-matches are provided. At the bottom, a table lists various adherence details.

Jurisdictional Module Organization Name	Annaly Capital Management Inc.
Jurisdictional Module Fund Name	
Adhering Party Identification	
Module Adhering Party	Yes
Regulated Entity	
Module Adhering Party Designations	
All Regulated Entities	Yes
All G-SIBs	
Entity-by-Entity	
Regulated Entity Designations	
Member of G-SIB	
Notices-ISDA Amend	
Adherence Type	Single Entity Adherence

1. Dedicated ISDA jurisdictional chevron
2. Select specific regime & add adherence letter ID, ie PR\_2016\_XX\_XXXXX
3. Pre-populated adherence letter elections from ISDA's website

## Permission Existing or New Relationships

markit Welcome, Susan Wu | Support

### SSGP Investment Fund LTD

Basic Information | Ownership & Control Reporting | Regulatory Information | **Jurisdictional Modular Protocol** | Additional Information | Address Information

Registered Entity

Module Adhering Party Designations

All Regulated Entities Yes

All G-SIBs Yes

Entity-by-Entity Yes


Regulated Entity Designations

Member of G-SIB

Notices-ISDA Amend

Adherence Type Investment/Asset Manager/or other agent on behalf of some but not all funds/or other principal it represents

To add entity please click on "Add"

 Add

Select Module Adhering Party Designations ☐ Regulated Entity ☐ G-SIB

Selected Entity

Counterparty Institution	Counterparty Entity True/Legal Name	Regulated Entity	Member of G-SIB	JMP-UK	JMP-German	
Test JMP BS	3 entity PR_2016_01_71394	Yes	No	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	✗
UK JMP Company	UK JMP Company	Yes	Yes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	✗
UK JMP Company SS	UK JMP Company SS	Yes	Yes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	✗

4

### 4. Counterparty relationship (Auto selections, Dealer by Dealer)



# Summary of Counterparty Elections and Relationships

Create Manage View KYC Services Tax Tools Help susan.m@markit.com, Bank of America Corporation | Logout

## Jurisdictional Modules

1

Apply Clear

My True Name:

Institution:

True Name:

Pre-LEI / LEI:

Adherence ID:

Adhering Party Identification:

Module Adhering Party Designations:

Regulated Entity Designation:

2

UK GERMANY

Download Relationship Removed Download

My	Counterparty	Counterparty Ad	Counterparty Module Adh	Counterparty Re	Counterparty Ad	Last Upd	History							
True Name	Institution	True Name	Pre-LEI / LEI	Adherence ID	Module A	Regulate	All Regul	All G-SIB	Entity-by	Member	Notices-1	Counterparty Ad	Last Upd	History
<input type="checkbox"/>	Merrill Lynch	The Royal B...	The Royal B...	RR3QW3CW...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View
<input type="checkbox"/>	Bank of Ame...	The Royal B...	The Royal B...	RR3QW3CW...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View
<input type="checkbox"/>	Merrill Lynch	TACTICAL G...	Australian C...	54930033ES...	PR_2016_02	Yes		Yes				Investment/As...	12-Ju...	View
<input type="checkbox"/>	Bank of Ame...	TACTICAL G...	Australian C...	54930033ES...	PR_2016_02	Yes		Yes				Investment/As...	12-Ju...	View
<input type="checkbox"/>	Merrill Lynch	Standard Ch...	Standard Ch...	R1LFO74KP1...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View
<input type="checkbox"/>	Bank of Ame...	Standard Ch...	Standard Ch...	R1LFO74KP1...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View
<input type="checkbox"/>	Merrill Lynch	Morgan Stan...	Morgan Stan...	Z06S12H6N...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View
<input type="checkbox"/>	Bank of Ame...	Morgan Stan...	Morgan Stan...	Z06S12H6N...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View
<input type="checkbox"/>	Merrill Lynch	Morgan Stan...	Morgan Stan...	4PQUH03JP...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View
<input type="checkbox"/>	Bank of Ame...	Morgan Stan...	Morgan Stan...	4PQUH03JP...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View
<input type="checkbox"/>	Merrill Lynch	The Goldma...	Goldman Sa...	N9FY329HC...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View
<input type="checkbox"/>	Merrill Lynch	The Goldma...	Goldman Sa...	W22LROWP...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View
<input type="checkbox"/>	Merrill Lynch	Bank of Ame...	Bank of Ame...	EYKWSV0ZC...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View
<input type="checkbox"/>	Bank of Ame...	The Goldma...	Goldman Sa...	N9FY329HC...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View
<input type="checkbox"/>	Bank of Ame...	The Goldma...	Goldman Sa...	W22LROWP...	PR_2016_02	Yes	Yes	Yes		Yes	Yes	Single Entity A...	12-Ju...	View

Page 1 of 1 1 - 15 of 15

1. Criteria filters
2. Summary of elections and relationship details

# ISDA Amend 2.0

---

## Benefits of using ISDA Amend

- Central data management and distribution
- Full audit trail of activity
- Leverage existing client relationships
- Simplify the adherence process and automate the consumption of data
- Bulk uploads and downloads
- Real-time updates and dashboard metrics
- API availability for direct data access
- User guide translations: Chinese, French, Japanese and Spanish

---

## Future ISDA Amend 2.0 initiatives

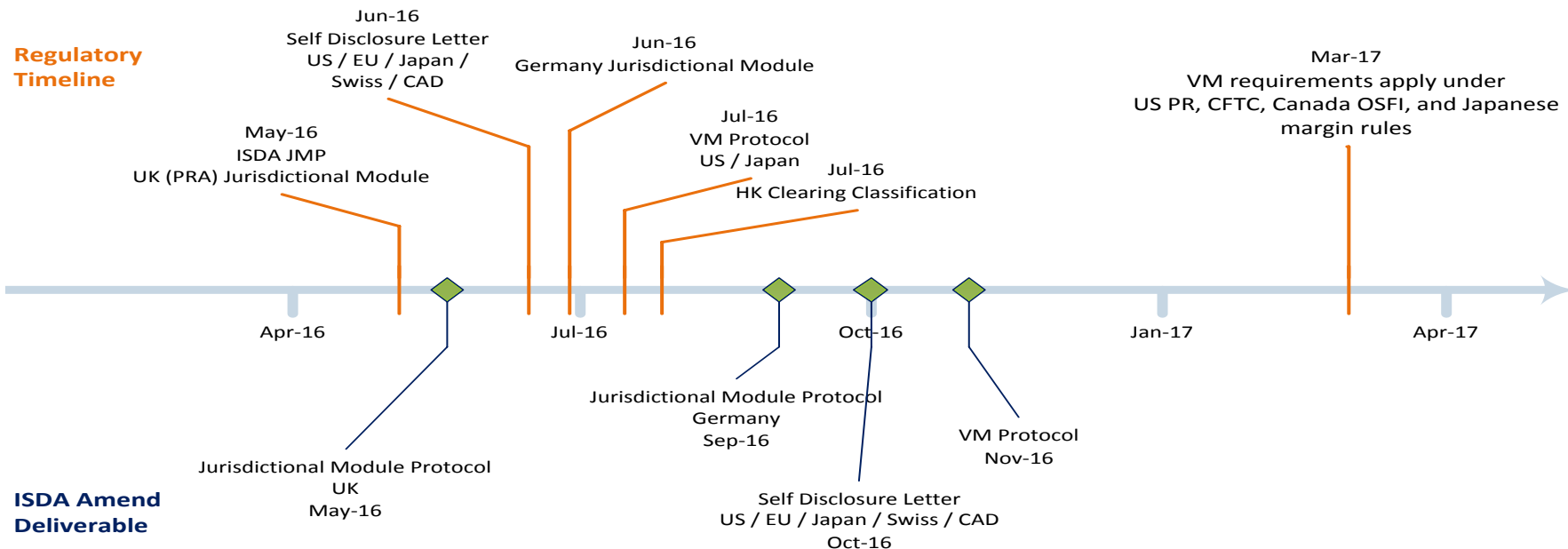
- ISDA Amend capability to create electronic CSA documents
- Self Disclosure Letter for other G20 Jurisdictions
  - > Australia, Hong Kong, India, Singapore and potential other jurisdictions
- Hong Kong Mandatory Clearing
- Singapore Mandatory Clearing
- Jurisdictional Module
  - > US, Japan and potential other jurisdictions

## Other initiatives in Markit Counterparty Manager

- Negotiate and amend CSAs on the platform via SmartDX

## Estimated timelines

## ISDA 2.0 Estimated Timeline



### Key Documentation / Testing Dates

- > Aug 5 2016      SDL Report Formats, API Specification Published
- > Aug 26 2016    VM Protocol Report Formats Published
- > Sept-2016      VM Protocol API Specification Published
- > Oct-2016        API Testing Open: SDL, VM Protocol

---

## Next step: Contact us to learn more

ISDA Legal Department  
[ISDALegal@isda.org](mailto:ISDALegal@isda.org)

Markit Counterparty Manager support  
[MCPMsupport@markit.com](mailto:MCPMsupport@markit.com)

Or contact your IHS Markit sales representative

---

## Disclaimer

The information contained in this presentation is confidential. Any unauthorised use, disclosure, reproduction or dissemination, in full or in part, in any media or by any means, without the prior written permission of IHS Markit or any of its affiliates ("IHS Markit") is strictly prohibited.

Opinions, statements, estimates and projections in this presentation (including other media) are solely those of the individual author(s) at the time of writing and do not necessarily reflect the opinions of IHS Markit. Neither IHS Markit nor the author(s) has any obligation to update this presentation in the event that any content, opinion, statement, estimate or projection (collectively, "information") changes or subsequently becomes inaccurate.

IHS Markit makes no warranty, expressed or implied, as to the accuracy, completeness or timeliness of any information in this presentation, and shall not in any way be liable to any recipient for any inaccuracies or omissions. Without limiting the foregoing, IHS Markit shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined, by it or any third party, whether or not based on any information provided.

The inclusion of a link to an external website by IHS Markit should not be understood to be an endorsement of that website or the site's owners (or their products/services). IHS Markit is not responsible for either the content or output of external websites.

Copyright ©2016, IHS Markit. All rights reserved and all intellectual property rights are retained by IHS Markit.